

Irrevocable Letter of Credit

Name of Self-Insurer: _____

Irrevocable Letter of Credit Number: _____

Date: _____

Virginia Workers' Compensation Commission
Self-Insurance Administrator
1000 DMV Drive
Richmond, Virginia 23220

Dear Sir:

We have established this Irrevocable Letter of Credit solely in your favor for drawings up to U.S. \$ _____ effective _____ and expiring at our (bank address) _____ with our close of business on _____. This Letter of Credit is not conditioned on the delivery of any other document or materials.

This Letter of Credit is irrevocable and cannot be modified, except for an increase in the face amount, or revoked without the consent of the Virginia Workers' Compensation Commission.

We hereby undertake to promptly honor your sight draft(s) drawn on us, indicating our Letter of Credit Number _____, for all or part of this Letter of Credit if presented at (bank address) _____ on or before the expiry date or any automatically extended date. No other document need be presented.

Except as stated herein, this undertaking is not subject to any condition or qualification. The obligation of the bank under this Letter of Credit shall be the individual obligation of the Bank, in no way contingent upon reimbursement with respect thereto.

It is a condition of this Letter of Credit that it shall be deemed automatically extended without amendment for one year from the expiry date hereof, or any future expiry date, unless sixty (60) days prior to any expiry date we shall notify you in writing by certified mail, return receipt guaranteed that we elect not to consider this Letter of Credit renewed for any such additional period.

It is further condition of this Letter of Credit that any interruption of the Bank's conduct of business within thirty days of the expiry date caused an act of God, riot, civil commotion, insurrection, war or other cause beyond the Bank's control, or by any strike or lockout, will automatically extend the expiry date hereof, as well as future expiry dates, by the period of the interruption beginning on the first day after the interruption on which the Bank is open.

This letter of credit shall be governed by the laws of Virginia and subject to the Uniform Customs & Practice for Documentary Credits, 1993 Revision, ICC Publication Number 500. If any legal proceedings are initiated with respect to payment of this Letter of Credit it is agreed that such proceedings shall be subject to Virginia courts and law.

Bank: _____

Address: _____

Authorized Signature: _____

Title: _____

Information - Irrevocable Letters of Credit

The Virginia Workers' Compensation Commission may accept an Irrevocable Letter of Credit as proof of compliance instead of a surety bond or securities. The Commission's Self-Insurance Division must determine if the Letter of Credit is acceptable in format, amount, and content, and if the issuing and or confirming bank is acceptable. The Letter of Credit must be in substantially the format and content as that provided in Form 21B (10/1/04): Irrevocable Letter of Credit. The Employer must complete the Memorandum of Understanding between the Commission and the Employer and submit it with the Irrevocable Letter of Credit (Form 21B (10/1/04)).

The Letter of Credit must be issued or confirmed by a bank chartered in Virginia or a federally chartered bank with a branch office in this state, except as expressly allowed by the Commission, in writing, upon the written request of the self-insured employer. Funds from the Letter of Credit will be immediately payable on demand. The Irrevocable Letter of Credit must include the following:

Name of Bank	Confirming Bank (If Applicable)
Issuing Office	Address, City, State, Zip
Address, City, State, Zip	

Irrevocable Letter of Credit Number
Effective Date
Date and Place of Expiry
Amount (In U.S. Dollars)

Applicant (Name of Self-Insured)
Address, City, State, Zip

Beneficiary: Virginia Workers' Compensation Commission
1000 DMV Drive
Richmond, Virginia 23220

Credit available with (Name of Bank) by sight draft at (Branch of Bank).

Requirements

The Letter of Credit must be irrevocable and must provide that it cannot be modified, except for an increase in the face amount, or revoked without the written consent of the Commission. Furthermore, it cannot be conditioned on the delivery of any other document or materials and shall stipulate that the Commission need only draw a sight draft under it and present it to obtain funds and that no other document need be presented.

The letter of credit must contain an issue date and a date of expiration. It shall state that its expiration date will be automatically extended without amendment for an additional period of one year from the present or each future expiration date unless not less than sixty (60) days prior to such date the bank notifies the Commission in writing that the bank elects not to renew the Letter of Credit.

It is further condition of the Letter of Credit that any interruption of the bank's conduct of business within thirty days of the expiry date caused by an act of God, riot, civil commotion, insurrection, war or other cause beyond the bank's control, or by any strike or lockout, will automatically extend the expiry date hereof, as well as future expiry dates, by the period of the Interruption beginning on the first day after the interruption on which the bank is open.

Information - Irrevocable Letters of Credit
(Continued)

The Irrevocable Letter of Credit is not subject to any condition or qualification, and is the bank's individual obligation, which is not contingent upon reimbursement.

This Letter of Credit shall be governed by the laws of Virginia and subject to the Uniform Customs & Practice for Documentary Credits, 1993 revision, ICC Publication Number 500. If any legal proceedings are initiated with respect to payment of the Letter of Credit it is agreed that such proceedings shall be subject to Virginia courts and law.

Signature and Title

Date

**Memorandum of Understanding
Letter of Credit 21B (10/1/04)**

This is a Memorandum of Understanding between _____ (Employer) and the Virginia Workers' Compensation Commission (Commission). The Employer has applied for the privilege of self-insuring its obligations under the Virginia Workers' Compensation Law and the Commission has approved the application contingent upon the Employer posting security in the amount of \$ _____. The Employer wishes to meet this security requirement by posting an Irrevocable Letter of Credit (Letter of Credit) issued or confirmed by _____ (Bank), which is a Virginia chartered bank or federally chartered bank with a Virginia office. The Commission and the Employer agree to the following:

1. The Letter of Credit is being furnished to the Commission in lieu of a surety bond or other security to meet one of the conditions established by the Commission for the Employer to self-insure.
2. Expiration or cancellation of the Letter of Credit is effective sixty (60) days after the Commission has received written notice of the cancellation.
3. If the Commission is notified that the Letter of Credit is being cancelled or will not be renewed and a new letter of credit or surety bond acceptable to the Commission is not filed with the Commission, the Commission may, at its discretion, draw on the Letter of Credit.
4. The Commission may, at any time, draw on the Letter of Credit if needed to pay any workers' compensation claim and claims administration expense which are the responsibility of the Employer.
5. All proceeds drawn on the Letter of Credit shall be deposited with the State Treasurer.
6. The Letter of Credit and this Memorandum of Understanding shall be governed by the laws of Virginia and subject to the Uniform Customs & Practice for Documentary Credits, 1993 Revision, ICC Publication Number 500. Any action with respect to the Letter of Credit shall be brought in Virginia and the Employer shall consent to the court's personal jurisdiction over the Employer.
7. In this Memorandum of Understanding "Employer" means the following entities which have been approved to self-insure in Virginia (parent and subsidiaries):

8. This Memorandum of Understanding is effective on: _____ (month/day/year).

Signed:

_____ Representative of Employer	_____ Title	_____ Date
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_____ Representative of Employer	_____ Title	_____ Date
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To: Virginia Workers' Compensation Commission

Attn: Comptroller

1000 DMV Drive

Richmond, Virginia 23220

NOTICE OF NON-RENEWAL OF LETTER OF CREDIT

TAKE NOTICE that the letter of credit issued by _____[bank] dated _____ upon the application of _____[name of self-insurer] in the amount of \$ ____ to your benefit, has WILL NOT BE RENEWED when it expires on _____[date].

_____[bank] and its correspondents will not accept any drafts drawn against the above letter of credit after the expiration date, nor acknowledge any transfer of the letter of credit.

Name of Bank

Address

Authorized Signature: _____

Title:

Date: